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TaxScriptions

"A Prescription For Tax Relief"



Volume IV Issue I

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Looking to Cut Expenses?

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For more information email us at info@rosencpagroup.com

Important Tax Dates & Deadlines:

UPCOMING EVENTS

YANKEE DENTAL CONGRESS

January 26 - 29, 2012

Please come by and see us at **booth 813** to say hello and pick up the latest "**See How You Compare**" booklet (and a candy bar).

Dennis O'Toole, CPA, MST will be speaking with Joe Pesichetti of Bank of America on Thursday, January 26th from 9:00 am - 12:00 am on "Financing Multiple Dental Offices".

Larry S. Rosen, CPA, MBA will be participating on a panel Saturday, January 28th from 9:00 am - 12:00 on "Practice Transitions: Planning and Pitfalls".

Mark B. Rosen, CPA, CFP, will be speaking on Sunday, January 29th from 8:00 am - 11:00 am on "Starting Your Journey Into Practice Ownership".

What's New for 2012?

There are many important tax changes taking effect in 2012, as well as some that took effect late last year and thus are "new". They are the result of tax legislation enacted in prior years, or are triggered by effective dates in regs, rulings and other guidance, or will occur by default in 2012 absent Congressional action. Below are a few that may effect you and your practice.

Individuals:

- **Reduced Alternative Minimum Tax (AMT) Exemption Amounts** - Absent another AMT "patch," the AMT exemption amounts for tax years beginning after 2011 will revert to the significantly lower "permanent" amounts of \$33,750 for unmarried taxpayers, \$45,000 for joint filers, and \$22,500 for married filing separately

January 15, 2012**Individuals:**

4th quarter estimated tax payments due for federal and state (if subject to AMT)

January 31, 2012**Businesses:**

4th quarter payroll returns due (Forms 940 and 941)
W-2s need to be distributed to employees

1099 MISC furnished to recipients

February 15, 2012**Businesses:**

Last day for filing W-4 by employees who wish to claim exemption from withholdings

February 28, 2012**Businesses:**

File W-2's with Social Security Administration

File Annual 1099's with IRS

March 15, 2012**Businesses:**

File Corporate Income Tax Return (Forms 1120, 1120s or 1120-A)

OR

Corporate Extension Due (Form 7004)

April 17, 2012**Individuals:**

File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ)

OR

Individual Extension Due (Form 4868)

- **Reduced Adoption Credit** - For 2012, the total expenses that may be taken as a credit for all tax years with respect to the adoption of a child by the taxpayer will be limited to \$12,650 (down from \$13,360 for 2011), and the credit for the adoption of a special-needs child will also be \$12,650 (down from \$13,360 for 2011). Furthermore, the adoption credit will no longer be refundable
- **Reporting Foreign Assets** - Beginning in 2012, U.S. taxpayers who have an interest in certain specified foreign financial assets with an aggregate value exceeding \$50,000 must report those assets to IRS on Form 8938, Statement of Specified Foreign Financial Assets, with their tax return
- **Non-Business Energy Property Credit** - Expired 12/31/11 is the 10% tax credit for making energy saving improvements to your main home (the total amount of credit that can be claimed in 2011 is \$500 - ineligible to individuals who have claimed \$500 or more in previous years)

Businesses:

- **Reduced Section 179 Expensing** - For a tax year beginning in 2012, the Code Section 179 expensing election is reduced to **\$139,000**, with a **\$560,000** investment-based ceiling (down from \$500,000/\$2 million). For tax year beginning after 2012, it will be further reduced to **\$25,000** with a **\$200,000** investment-based ceiling. Additionally, for a tax year beginning after 2011, expensing can no longer be claimed for qualified real property (Leasehold Improvements)
- **Longer Writeoff Period for Certain Property** - Expired 12/31/11 is the 15 year write off (if you do not own building) for Qualified Leasehold Improvement Property after 12/31/11 such property will have to be depreciated over **39 years**
- **Reduced Bonus Depreciation Allowance for Qualified Property** - For qualified property acquired and placed in service after 2011 and before 2013, a 50% (down from 100%) bonus first-year depreciation allowance applies under Code Sec. 168(k)
- **Employer Reporting of Health Insurance Coverage on Employee's W-2** - In Notices 2011-28, 2011-16 & 2012-9 IRB the IRS provided further relief for small employers (**i.e., those filing fewer than 250 Forms W-2**) by making **Code Sec. 6051(a)(14) reporting optional for health coverage provided through at least 2012**, or until further guidance is issued by IRS. Thus, these employers wouldn't have to report the cost of health care coverage on any forms required to be furnished to employees before January 2014, at the earliest
- **Work Opportunity Tax Credit (WOTC)** - Generally cannot be claimed for an individual who begins work for the employer after 12/31/11. However, the WOTC continues to be available for employers that hire qualified veterans who began work for the employer before 1/1/13.

Payroll Tax Cut Temporarily Extended Until February 2012

On December 23, Congress passed, and President Obama signed into law, H.R. 3765, the "**Temporary Payroll Tax Cut Continuation Act of 2011**" (the TTCA, P.L. 112-78). The tax provisions of the TTCA

First Installment of
Individual Estimated Tax
Due (Form 1040-ES)

Estates and Trusts:

File Fiduciary Tax
Return (Form 1041)

OR

Fiduciary Extension Due
(Form 7004)

Businesses:

File Partnership Income
Tax Return (Form 1065)

OR

Partnership Extension Due
(Form 7004)

April 30, 2012

Businesses:

1st quarter payroll returns
due (Form 941)

1st quarter sales tax
returns due

**2012 Auto/Truck
Depreciation Limits with
50% Bonus Rules
(new vehicles)**

Qualified Passenger Autos

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,060
2nd Tax Year	\$4,900
3rd Tax Year	\$2,950
Thereafter	\$1,775

Qualified Trucks and Vans

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,260
2nd Tax Year	\$5,200
3rd Tax Year	\$3,150
Thereafter	\$1,875

consist of a two-month temporary extension of the payroll tax cut that is in place for 2011, plus a parallel extension of a lower Self-Employment Contributions Act (SECA) tax rate on self-employment income. In a related news release, IRS also provided guidance to employers on how and when to implement the new rate.

Temporary Tax Cut for 2011 - For compensation received during 2011, the 2010 Tax Relief Act reduced the employee OASDI tax rate under the FICA tax by two percentage points to 4.2%. Similarly, for self-employment income for tax years beginning in 2011, the Act reduced the OASDI tax rate under the SECA tax by two percentage points to 10.4%. As a result, for 2011, employees paid only 4.2% Social Security tax on wages up to \$106,800 and self-employed individuals paid only 10.4% Social Security self-employment taxes on self-employment income up to \$106,800.

Guidance to Employers - The Internal Revenue Service has instructed employers to implement the new payroll tax rate as soon as possible in 2012, but not later than Jan. 31, 2012. If there is any Social Security tax over-withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible, but not later than Mar. 31, 2012. Further guidance will be issued by IRS as necessary to implement the provisions of the two-month extension, including the issuance of revised employment tax forms and instructions and information for employees who may be subject to the new recapture provision. For most employers, the quarterly employment tax return for the quarter ending Mar. 31, 2012, is due Apr. 30, 2012.

Effective date - The above TTCA changes are effective for compensation received during the months of January and February in 2012 and for self-employment income for tax years beginning in 2012.

Why Use a Payroll Company?

Did you know that you as the employer are required by law to give paystubs to your employees? Were you aware that the IRS requires different payment schedules for Federal Payroll Tax Withholding, depending on your tax liability? This is critical to know, especially at the end of the year when you might be making bonus payments which may be larger than usual. Without anyone to remind you about a frequency change, missing a payment by just one day could result in penalties and interest of up to 12% of the withholding tax due. While with a payroll company, any interest and penalties due would be their responsibility. Even responses to tax notices, which might be the mistake of an agency, will be handled by a professional payroll service.

Payroll companies will keep you compliant with all of the changing tax laws and limits, such as the reduction in employee FICA for the first two months of 2012 to 4.2%, the FICA withholding limit for 2012 to \$110,100 and the increases in retirement plan deductions .

Payroll companies can provide other services to help you manage the profitability of your practice. They can allocate your payroll expenses by division or department to help you manage the profitability of your practice, track vacation time used to limit payout liability, assist in the preparation of an employee handbook and even pay your workers compensation insurance monthly to avoid the annual workers compensation audit. For anyone processing payroll weekly, they have

Tips For A Faster Individual Tax Return

Complete the Tax Organizer and send all of the followings documents:

- Bank & Brokerage 1099s
- Settlement Stmtms for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

Frequently Asked Questions?

What is the standard business mileage rate for 2011 and 2012? 55.5 cents for travel 7/1/11 - 12/31/11 & 51 cents - 1/1/11 - 6/30/11)

For 2012: 55.5 cents

What is the medical care mileage rate for 2011? 23.5 cents for travel from 7/1/11 - 12/31/11 & 19 cents - 1/1/11 - 6/30/11
For 2012: 23.5 cents

What is the long-term capital gain rate for 2011 and 2012? 15%

Quick Links

a number of solutions to help move your frequency to bi-weekly (saving you thousands of dollars per year).

There are many administrative functions in your business to tackle, but payroll processing should be one you leave to a professional. It might feel like an easy to duplicate commodity when you have small windows of time in your business, but when something goes wrong, it acts like an oil spill....very hard to control, and put back the way it was.

Changes to IRS Reporting Requirements for 2011 1099-MISC

Beginning with tax year 2011, the IRS requires companies to **exclude** certain payment types they made to a 1099 vendor on Form 1099-MISC that will be included on third party payment processors such as credit card companies, debit cards or third party payment networks, like PayPal on the **"New Merchant Card and Third Party" Form 1099-K**. The different types of transactions will need to be separated to comply with the new IRS reporting requirements. If your practice paid vendors by check or cash then it will need to issue the vendor a 1099-MISC like it has done in the past.

Form 1099-K is now required for third party payment processing companies like credit card processors to report payments that have been processed to vendors and contractors.

The 2011 business tax forms such as 1120, 1120s and 1065 now include lines to report Merchant Card and Third Party Payments as well as questions (see below) that will need to be answered correctly when filing the tax return.

a. Did the corporation/partnership make any payments in 2011 that would require it to file Form(s) 1099?

b. If "Yes" did the corporation file or will it file all required Forms 1099"?

Please be aware that your practice will be receiving these Form 1099-Ks from your processing companies. **Please make sure you give them to your Account Manager. 1099-Ks will be critical in reconciling your reported income with the IRS.**

Human Resources - Your Most Valuable Assets!

- Is your Practice up to date with Federal and State Human Resource compliance changes?
- Does your Practice have a Company Employee Handbook?
- How about an Anti-Harassment Policy?
- Does your Practice have the proper Human Resource Forms such as General Offer Letter, Orientation Checklist, Disciplinary Warning Form or Termination Status Sheet?

If you are interested in a Human Resource program to assist your practice with the development of Human Resource essentials please email us at info@rosencpagroup.com

Small Business Health Care Tax Credit

Latest News & Events
at Rosen & Associates,
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IRS

Massachusetts
Department of
Revenue

Connecticut
Department of
Revenue Services

New Hampshire
Department of
Revenue
Administration

Rhode Island Division
of Taxation

Maine Revenue
Services

Vermont
Department of Taxes

Academy of Dental
CPAs

Rosen &
Associates, LLP

Phone: (508) 926-2400
 Fax: (508) 616-2914
info@rosencpagroup.com

CCR Wealth
Management, LLC

Phone: (508) 475-3880
 Fax: (508) 616-4431
info@ccrwealth.com

Enacted in 2010 the Small Business Health Care Tax Credit provides small employers with a tax credit (i.e., a dollar-for-dollar reduction in tax) for nonelective contributions to purchase health insurance for their employees. The credit can offset an employer's regular tax or its alternative minimum tax (AMT) liability.

Small business employers eligible for the credit:

Qualifications - your practice must do **ALL** of the following:

- Offer health insurance to its employees as part of their compensation
- contribute at least half the total premium cost
- have no more than 25 full-time equivalent employees ("FTEs")
- employees must have annual full-time equivalent wages that average no more than \$50,000

Limits -

- Full amount of the credit is available only to an employer with 10 or fewer FTEs
- employees that have an average annual FTEs from the employer of less than \$25,000

Years the credit is available:

- 1st Phase - 2010, 2011, 2012 or 2013
- 2nd Phase - potentially qualify for 2014 & 2015

Calculating the amount of the credit:

- 1st Phase - credit is generally 35% of employer's nonelective contributions toward the employees' health insurance premiums
- 2nd Phase - credit is generally 50% of employer's nonelective contributions toward the employees' health insurance premiums
- credit phases out as practice size & average wages increase
- credit claimed on employer's annual income tax return - IRS to provide further information

Special rules:

- Employer entitled to ordinary business expense deduction equal to the amount of employer contribution minus dollar amount of credit
- Self-employed individual, including partners and sole proprietors, 2% shareholders of an S-Corp. & 5% owners of employer are not treated as employees for purposes of credit
- no credit available for any individual not taken into account in determining the number of full-time equivalent employees or average full-time equivalent wages

For additional information about the Small Business Health Care Tax Credit please click on IRS link below:

[Small Business Health Care Tax Credit: Frequently Asked Questions](#)

2011 & 2012 Tax Numbers

Retirement Planning Group, LLP

Phone: (508) 926-2400
Fax: (508) 616-2914
info@rpgllp.com

	<u>2011</u>	<u>2012</u>
Ann. Def. Contrib. Plan Part. Dollar Limit	49,000	50,000
Annual Compensation Limi	245,000	250,000
401(k) Employee Elective Deferral Limit	16,500	17,000
401(k) Catch-Up Contrib. Age 50 & Over	5,500	5,500
SIMPLE Plan Employee Elective Def. Limit	11,500	11,500
SIMPLE Plan Catch-Up Contr. Age 50 & Over	2,500	2,500
IRA (Roth & Traditional) Contribution Limit	5,000	5,000
IRA Catch-Up Contrib. Limit Age 50 & Over	1,000	1,000
Federal Lifetime Gift Tax Exclusion	5.0M	5.12M
Federal Lifetime Estate Tax Exclusion	5.0M	5.0M
Maximum Federal Estate Tax Rate	35%	35%
Maximum Federal Gift Tax Rate	35%	35%
Annual Gift Tax Exclusion Per-Person Gifts	13,000	13,000
Section 179 First-Year Depreciation Limit	500,000	139,000
Social Security Taxable Wage Base	106,800	110,100
Standard Deduction (Single)	5,800	5,950
Standard Deduction (Married Filing Jointly)	11,600	11,900

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Rosen & Associates, LLP | 1400 Computer Drive | Suite 200 | Westborough | MA | 01581